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FOR EAP/ANP

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TAGS: PREL FAID PP

SUBJECT: MCC - LEVERAGE ON GOVERNANCE IN PNG

REF: PORT MORESBY 108

CLASSIFIED BY: Robert Fitts, Ambassador, AMB, STATE.

REASON: 1.4 (d)

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1.(C) SUMMARY: Following the briefing of PNG's economic ministers on MCC (reftel), Ambassador met with the chief civil servants of Economic Ministries to go over the qualification process in detail. The meeting was candid and the officials' were a bit taken aback that solemn promises to improve would not cut it. Still, they are under a directive to investigate ways of qualifying. Embassy proposes to work on MCC indicators where lack of data may have undercut PNG's rating (trade), then use the prospect of Threshold Status as a spur for GPNG action on corruption. To this end, we would appreciate details of corruption threshold programs that have been agreed thus far.
END SUMMARY

2.(U) At the March 8 meeting reported reftel, PNG's economic cabinet expressed avid interest in an MCC program and devoted several hours to our detailed briefing on the qualification process. Afterwards, the Finance Minister tasked a working group of senior civil servants to pursue the matter in detail. Ambassador met March 15 with the Secretaries of the PM's Department, Finance, Planning, Foreign Affairs, Mining, Forestry, Transport and Public Service. These are the top civil servants of each department (political appointees all) and must vet all material going to the cabinet.

3.(C) Predictably, the meeting opened with a submission (from Ambassador to the U.S. Paki) that PNG was already well qualified and needed merely to get the good news out (i.e. on corruption) so that the MCC would understand. Suffice it to say that view did not withstand our detailed discussion of how the corruption indicator is developed through reports by roughly 16 different independent organizations. PNG would need to convince those groups through action, not pledges.

4.(C) This set the working group aback. They were particularly worried that the corruption ranking is computed by the World Bank Institute. (Note: the World Bank bureaucracy is widely viewed here as unfairly biased against PNG. The matter came to a head last year when the Bank formalized a suspension of a major Forestry policy loan over GPNG performance.) Nonetheless, the group promised to consult their ministers and get back to us. Ambassador has had individual discussions with two of the attendees since as they sought clarification, indicating that our case is still quite active.

5.(C) Embassy proposes to keep GPNG attention on MCC

qualification by working other indicators which may suffer from lack of data. Trade Policy, for example, is not now rated. However, PNG has numerous trade-opening steps in recent years under the APEC process and might well come up favorably under closer scrutiny. Immunization rates may also show movement. We understand from WHO that a supplementary program last year substantially expanded the coverage of previous immunization efforts. A WHO census now underway should document the improvement.

6.(C) COMMENT: The ultimate target is corruption. Claiming that GPNG would clear the MCC corruption hurdle any time soon would be a hip-dislocating stretch. This will be particularly true in the run up to the May 2007 elections when politics will show its ugly side. Many international observers have given PNG deservedly low marks on governance for years and any turnaround will take time. Moreover, PNG's leaders will need a long walk on the road to Damascus before leaving their old insider world behind. However, if the prospect of a threshold program will tempt them into a little tidying up, it will be well worth the effort.

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